

Background to Present Invention

The claimed invention is used for automating investment planning by developing specific buy/sell recommendations to reach as close as possible to an investor's desired asset allocation and preferred domain.

Developing specific "sell" recommendations, such as during a rebalancing process, that move the client towards their desired asset allocation and preferred domain is one of the most time-consuming and difficult tasks of a financial advisor. The ability in the present invention to automatically generate such recommendations significantly increases the productivity of the financial advisor.

The claimed invention is not directed to determining which assets to buy and sell so as to maximize investment performance. Instead, it is directed to developing specific buy/sell recommendations to reach as close as possible to an investor's desired asset allocation and preferred domain. "Sell" recommendations would thus be based upon asset allocation and preferred domain factors, not the performance of the current assets.

The use of asset allocation and preferred domain factors to create specific "sell" recommendations is an important feature of the present invention and is a significantly more complex process than merely reviewing past investment performance. There is no disclosure or suggestion of this feature anywhere in the prior art of record, and thus, the independent claims are believed to be patentable based on at least this feature, as discussed in more detail below.

The term, "preferred domain," also known as "asset placement," refers to the taxable status of investments (e.g., taxable, tax-deferred, tax-free). Preferred domain is briefly discussed in two prior art references of record, namely,

"Portfolio Planning: Integrating Your 401(k) Into Your Investment Portfolio," online publication of In the Vanguard, Summer 1997, printout from website

Laderman, J.M. "First, Asset Allocation. Now, "Asset Placement"", Business Week Online: Your Money, , The McGraw-Hill Companies, Inc., August 14, 1997

Preferred domain, and the associated preferred domain rules, are discussed in detail on page 26, line 7 through page 38, line 14 of the present specification, and in other locations. Additional details are provided in the Appendix of the present specification.

Edesess

Edesess discloses a process that creates an optimal investment plan based on desired wealth goals.

In the outstanding Office Action, the Examiner states that column 5, line 38 of Edesess discloses step (c) of the independent claims 1, 15, 30 and 44, namely, inputting into a computer data regarding a client's preferred domain. Column 5, lines 23-53 of Edesess describe a process for determining the minimum real rate of return on assets that is required to achieve an investor's goal. In the process for determining the real rate of return, this text portion describes that the effects of "taxes" are taken into account.

The explanation in Edesess that the effects of taxes are taken into account for the purpose of determining the minimum real rate of return on assets that is required to achieve an investor's goal has nothing whatsoever to do with inputting a client's preferred domain for the purpose of subsequently developing specific buy/sell recommendations to reach as close as possible to an investor's desired asset allocation and preferred domain. That is, taking into account the effects of taxes on a rate of return of assets is not equivalent in any manner whatsoever to a step of entering a client's preferred domain for subsequent use in portfolio asset management.

Applicants have carefully reviewed the remaining text portions and figures in Edesess and cannot even locate any disclosure or suggestion of entering a client's preferred domain for purposes of performing the goal of the Edesess patent (i.e., creating an optimal investment plan based on desired wealth goals), let alone for the purpose of Applicant's invention (i.e., by developing specific buy/sell recommendations to reach as close as possible to an investor's desired asset allocation and preferred domain). In sum, Edesess does not disclose or suggest step (c) of the independent claims.

In the outstanding Office Action, the Examiner states that Fig. 6 of Edesess discloses the first portion of step (d) of the independent claims 1, 15, 30 and 44, namely, automatically generating financial transaction recommendations for modifying a client's current asset portfolio to reach as close as possible to the desired asset allocation and preferred domain.

In response, as discussed above, Edesess does not even use a client's preferred domain to create the optimal investment plan and thus inherently cannot perform the first portion of step (d) of the independent claims 1, 15, 30 and 44. Furthermore, the Examiner refers to the text in Fig. 6 that reads "*Contributions should be increased and/or expenditures reduced when in this zone.*"

as an alleged disclosure of the first portion of step (d). However, increasing contributions or reducing expenditures modifies the total dollar amount of assets put to use in an investment strategy and has nothing whatsoever to do with modifying a portfolio to achieve a desired asset allocation and preferred domain. That is, the first portion of step (d) does not relate to how many assets to deploy (i.e., the total dollar amount of assets), but instead relates to how to best allocate the assets that are being deployed. Accordingly, nothing in Fig. 6 discloses or suggests the first portion of step (d) of the independent claims 1, 15, 30 and 44.

Alden

Column 36, line 32 through column 43, line 16 of Alden discloses an expert system for evaluating the advisability of buying or selling stock. Column 36, lines 36-44 of Alden reads as follows:

If the stock is currently owned, the system will evaluate the historical cost of the stock owned, and compare it with the current price per share. It will recommend selling the stock if a gain can be realized on the sale, else it will recommend holding the stock. If the stock is not currently owned, the system will look to see how much cash is available in the investment account, and report how many shares of the stock could be purchased with available funds. (underlining added for emphasis)

As correctly noted by the Examiner, Alden discloses a method of selling stock to improve portfolio performance. That is, a sell recommendation is based upon the performance of the individual stock, and not on any criteria personal to the stockholder. This is completely different than the presently claimed invention which uses information personal to the client (e.g., current asset portfolio, desired asset allocation, preferred domain) to develop sell recommendations so as to reach as close as possible to the desired asset allocation and the preferred domain.

If Alden's expert system were integrated into the Edesess process, the resultant combination would add a method of selling stock to improve portfolio performance to the Edesess process to create an optimal investment plan. While this enhancement might allow the Edesess process to perform better (i.e., provide better portfolio performance by making better stock selling decisions), it would still not provide financial transaction recommendations for modifying the client's current asset portfolio to reach as close as possible to the client's desired

asset allocation and preferred domain, as set forth in the first portion of step (d) of the independent claims 1, 15, 30 and 44.

Furthermore, the second portion of step (d) requires that the recommendations for reaching as close as possible to the desired asset allocation and preferred domain include specific recommendations for selling amounts of selected current assets. That is, the selling process that occurs in step (d) is not a generic selling process but instead has the specific goal of reaching as close as possible to the desired asset allocation and preferred domain, even if the selling process would incur a loss. In contrast, Alden would recommend holding the stock if selling the stock would incur a loss. Thus, Alden is a wholly deficient reference with respect to this feature because the selling goal in Alden is to improve portfolio performance based solely on performance of the stocks in the portfolio.

Patentability of independent claims 1, 15, 30 and 44

Claims 1, 15, 30 and 44 are believed to be patentable over Edesess in view of Alden for at least the following two reasons.

1. Step (c) of claims 1, 15, 30 and 44 is not disclosed or suggested by Edesess for the reasons discussed above.
2. The first portion of step (d) of claims 1, 15, 30 and 44 is not disclosed or suggested by Edesess for the reasons discussed above.
3. The first and second portions of step (d) of claims 1, 15, 30 and 44 are not disclosed or suggested by Alden for the reasons discussed above, even if Alden is combined with Edesess.

In sum, nothing in either Edesess or Alden would provide the same type and quality of investment planning advice as provided by the claimed invention. There would be no “sell” recommendations or “buy” recommendations that would account for the investor’s desired asset allocation or preferred domain.

Patentability of dependent claims 2, 3, 10, 16, 17, 24, 31, 32, 39, 45, 46, 53

These claims are directed to features for minimizing or capping tax costs of the sell transactions. The Examiner alleges that column 5, line 38+ of Edesess discloses this feature. To the contrary, column 5, lines 38-39 states that “In the calculation of the required rates [of return], a reduction for taxes, expenses, fees and inflation is taken.” Column 5, lines 59-63 of Edesess

states that "Where the investor holds both taxable and tax-deferred accounts, each of these portfolios is then reallocated in an optimal manner between taxable and tax-deferred account categories, given the investor's tax rates and assumptions of income yields and turnover rates for the asset categories." Neither of these text passages have anything whatsoever to do with minimizing or capping tax costs of the sell transactions.

Patentability of dependent claims 4, 18, 33, 47 and 59-63

These claims recite that financial transaction recommendations are made based on a client's asset portfolio preferences, including current assets that the client wishes to hold or sell. The Examiner alleges that column 36, line 34+ of Alden discloses this feature. Applicants have carefully reviewed Alden and cannot locate any disclosure whatsoever of this feature.

Patentability of dependent claims 5, 6, 19, 20, 34, 35, 48, 49

These claims recite a feature of minimizing transaction costs of potential sell transactions. The Examiner alleges that column 42, line 23+ of Alden discloses this feature. To the contrary, this text portion tracks the total cost of the owned stock which has nothing whatsoever to do with determining transaction costs of a potential sell recommendation.

Patentability of dependent claims 7-10, 21-24, 36-39 and 50-53

These claims recite details of how repositionable, non-repositionable and possibly repositionable assets are treated in making sell decisions. The Examiner alleges that column 36, line 34+ of Alden discloses this feature. Applicants have carefully reviewed Alden and cannot locate any disclosure whatsoever of this feature.

Patentability of remaining dependent claims

The remaining dependent claims are believed to be allowable because they depend upon an allowable independent claim, and because they recite additional patentable steps and elements.

Conclusion

Insofar as the Examiner's rejections were fully addressed, the instant application is in condition for allowance. A Notice of Allowability of all pending claims is therefore earnestly solicited.

Respectfully submitted,

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